

Oregon Taxes Poor & Middle Class at Higher Levels than the Wealthy

Low- and middle-income families in Oregon pay a higher share of their income in state and local taxes than to the richest families in Oregon, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. When it comes to paying for services, Oregon lacks a sufficiently fair tax system.”

Oregon’s Tax Code: Tax the Poor & Middle Class More Than the Wealthy

When all Oregon taxes are totaled up, the study found that:

- The state and local tax rate on the best off one percent of Oregon families—with average incomes of \$672,000—is 8.9% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is a 6.1%.
- The average tax rate on families in the middle of the income distribution—those earning between \$27,000 and \$44,000—is 8.5% before and 8.1% after the federal offset, one third more than the effective rate on the richest Oregon families.
- But the tax rate on the poorest Oregon families—those earning less than \$16,000—is the highest of all. At 9.4% it is one and a half times the effective rate on the wealthiest Oregon taxpayers.

“Oregon’s progressive income tax does not offset the regressivity of its excise and property taxes, once the federal offset is considered,” McIntyre said. “Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in taxes should rise as income grows, and not fall as is the case in Oregon.”

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Tax Regressivity Has Grown Since 1989

The study also examined the impact of changes in the regressivity of Oregon taxes since 1989, when the last cycle of state government shortfalls began. The study's findings include:

- Tax burdens increased on low- and moderate-income families, but were flat or declining on better-off Oregonians.
- Excise tax burdens rose significantly on low- and middle-income taxpayers, and a new earned-income tax credit was too stingy have much offsetting effect.

"Oregon's tax structure is losing its progressivity as lawmakers continue to increase regressive excise taxes," said McIntyre. "As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto low- and middle-income taxpayers."

Two pages of tables detailing the Oregon findings of the study follow

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at www.itepnet.org. Printed copies can be ordered by calling ITEP at 202-737-4315.

Who Pays? examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

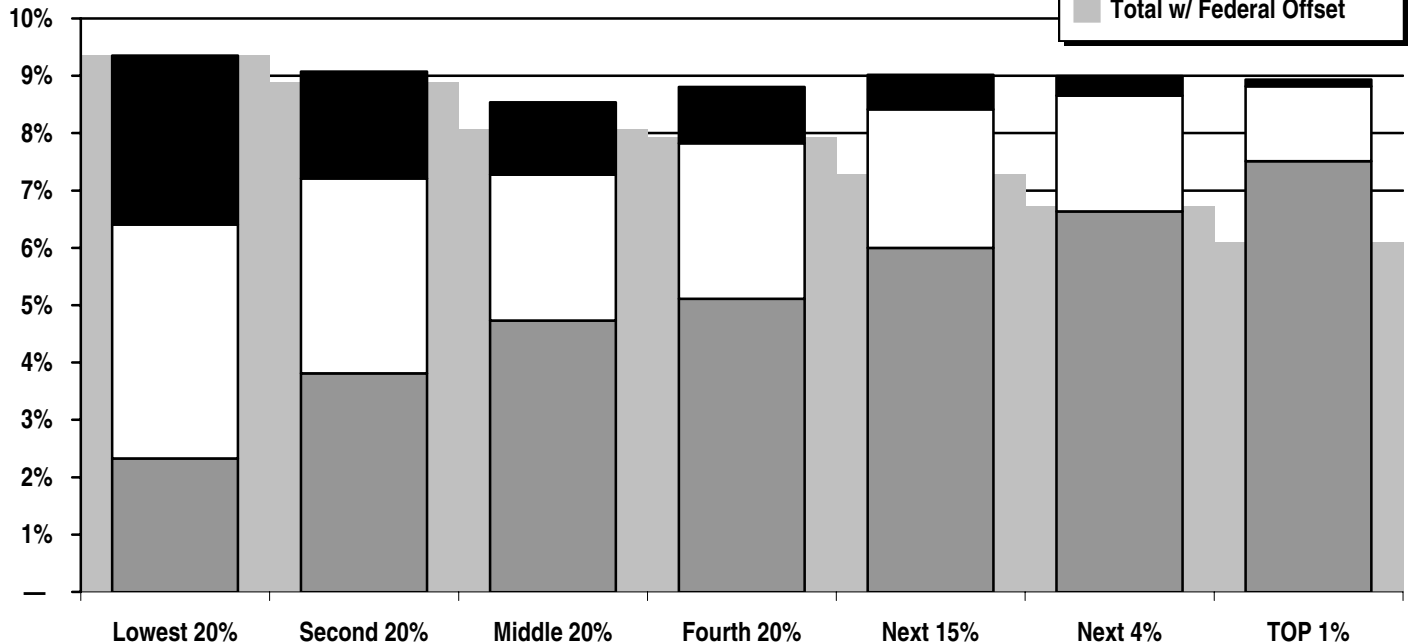
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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Oregon

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$71,000	\$71,000 – \$132,000	\$132,000 – \$308,000	\$308,000 or more
Average Income in Group	\$9,300	\$21,100	\$34,200	\$56,100	\$90,900	\$182,000	\$672,000
Sales & Excise Taxes	2.9%	1.9%	1.3%	1.0%	0.6%	0.3%	0.1%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.8%	1.7%	1.1%	0.9%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%
Property Taxes	4.1%	3.4%	2.5%	2.7%	2.4%	2.0%	1.3%
Property Taxes on Families	4.0%	3.3%	2.5%	2.6%	2.2%	1.8%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.5%
Income Taxes	2.3%	3.8%	4.7%	5.1%	6.0%	6.6%	7.5%
Personal Income Tax	2.3%	3.8%	4.7%	5.1%	6.0%	6.6%	7.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
TOTAL TAXES	9.4%	9.1%	8.5%	8.8%	9.0%	9.0%	8.9%
Federal Deduction Offset	—	–0.2%	–0.5%	–0.9%	–1.7%	–2.3%	–2.8%
TOTAL AFTER OFFSET	9.4%	8.9%	8.1%	7.9%	7.3%	6.7%	6.1%

Note: Table shows 2002 tax law at 2000 income levels.

Oregon Tax Trends

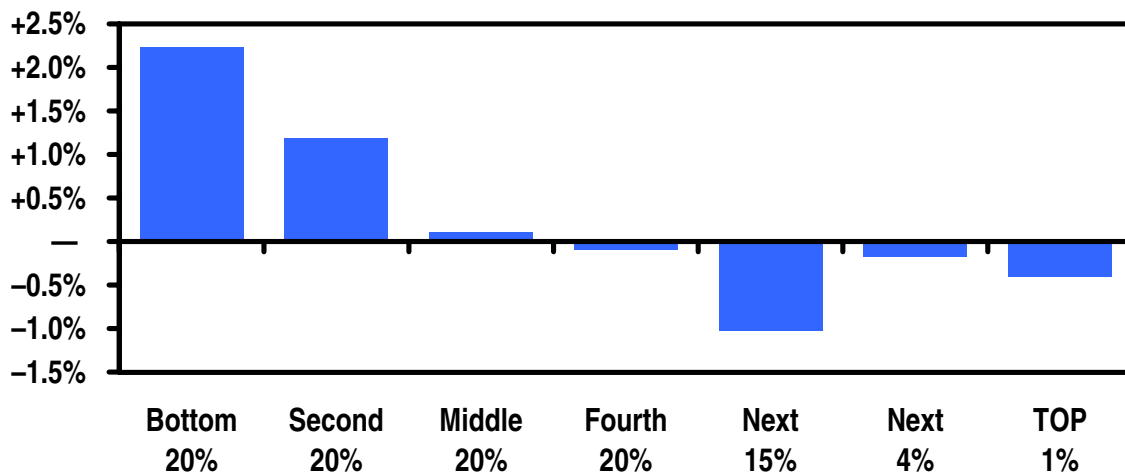
Progressive Features

- ✓ No sales tax
- ✓ Non-refundable EITC
- ✓ Tax brackets and exemptions indexed

Regressive Features

- ✗ Deduction for federal income taxes paid

Changes in Taxes as Shares of Income, 1989 – 2002

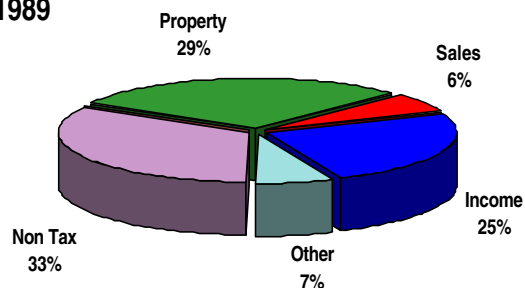


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.6%	+0.8%	+0.5%	+0.4%	+0.2%	+0.1%	+0.0%
Property	+0.4%	+0.5%	-0.3%	-0.4%	-1.4%	-0.9%	-0.4%
Income	+0.2%	+0.0%	+0.1%	-0.0%	+0.2%	+0.7%	+0.5%
Federal Offset	—	-0.1%	-0.2%	-0.1%	+0.0%	-0.0%	-0.5%
Overall Change	+2.2%	+1.2%	+0.1%	-0.1%	-1.0%	-0.2%	-0.4%

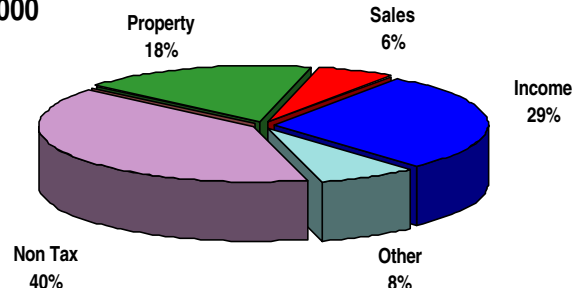
The cap for Oregon's relatively uncommon income tax deduction for federal income taxes paid was increased to \$5,000. Oregon's brackets are indexed, but income grew faster than the index factor letting inflation cause an implicit income tax hike. The small, nonrefundable EITC was not sufficient to offset inflationary effects and a series of cigarette tax hikes.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census